

TEACHERS' RETIREMENT BOARD  
BUDGETS AND AUDITS COMMITTEE

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SUBJECT: School District Final Report

ITEM NUMBER: 9

ATTACHMENT(S): 1

ACTION: \_\_\_\_

DATE OF MEETING: February 8, 2001

INFORMATION: X

PRESENTER(S): Way Lee

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In accordance with auditing standards, the results of our audits are presented to the Budgets and Audits Committee to facilitate its oversight responsibility. The attached Executive Summary presents the highlights of the Berkeley Unified School District final audit report we issued in December 2000.

Berkeley Unified School District (BUSD) did not have on file employee-signed copies of CalSTRS Form CB 533, Cash Balance Benefit Program Employee Notification and Election Form, on which eligible hourly and part-time employees formally elect retirement coverage. The District has not notified as many as 500 eligible employees in the Cash Balance Benefit Program. In addition, BUSD did not provide eight employees with any retirement coverage during the 1999 calendar year.

BUSD did not withhold from employees' payroll checks the employee's contributions and did not remit to CalSTRS a total of \$3,067 of employee and employer contributions on earnings paid for the related creditable service performed from July 1998 through August 1999 for the following:

- Summer School Earnings
- Overtime Pay
- Special Pay (e.g. After-School Duties)
- Retroactive Pay Increases Paid December 15, 1998
- Portion of Regular Earnings

In addition, BUSD did not remit to CalSTRS a total of \$240 of employee contributions (and the related employer contributions) previously withheld from payroll warrants.

The cost to complete this audit, which includes staff time, travel, and per diem, was \$9,283. With a total savings of \$3,307 to the System, the audit benefit was \$ .36 for each \$1 expended. Also important are the on-site training that occurs as a by-product of audit discussions in the field, and the deterrent effect on the program of audited districts.

**Office of Audits  
Executive Summary  
For the Budgets and Audits Committee  
Findings & Adjustments Needed  
Audit of Berkeley Unified School District  
Berkeley, CA**

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Period Audited: July 1, 1998 – August 31, 1999

Audit Report Date: December 19, 2000

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**Audit Cost-Benefit Summary:**

<u>Benefit:</u>		<u>Cost:</u>	
Corrections to contributions	\$ 3,307	Direct costs	
		(Staff salaries, fringe	
		benefits, travel and	
		per diem)	\$ 9,283
 TOTAL DOLLAR EFFECT	 <u>\$ 3,307</u>	 <b>Benefit per Dollar Spent</b>	 <b>\$ 0.36</b>

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**Finding A:**

**The District did not properly implement the Cash Balance Benefit Program (CBBP).** Berkeley Unified School District (BUSD) did not have on file employee-signed copies of CalSTRS Form CB 533, Cash Balance Benefit Program Employee Notification and Election Form, on which eligible hourly and part-time employees formally elect retirement coverage. The District has not properly notified as many as 500 eligible employees in the Cash Balance Benefit Program. In addition, BUSD did not provide eight employees with any retirement coverage during the 1999 calendar year.

**Corrective Action Needed:**

The District must notify all currently employed hourly and part-time employees who performed creditable service during the 1998-99 and 1999-2000 fiscal years of their right to elect retirement coverage under the CBBP, the Defined Benefit Plan, or Social Security. These eligible employees and the District must complete and sign the Employee Notification and Election Form (CB 533) immediately. BUSD must notify all new hourly and part-time employees and complete the Form CB 533 within 60 days of hire. The District must maintain the signed copy of the Form CB 533 in each employee's personnel file.

For those employees who respond to the District's notification and choose to become a CBBP participant, CBBP participation should become effective on the hire date, the pay period ending March 30, 1998, or the date they choose to become a participant, whichever is later.

For those employees who do not respond to the District's notification, CBBP participation should become effective the pay period ending March 30, 1998, or the date they choose to become a participant, whichever is later.

For those employees who choose Defined Benefit membership, the membership should become effective on the hire date or the date they choose to become a member.

**Finding B:**

**The District did not report or remit all Cash Balance Benefit Program (CBBP) employee and employer contributions to CalSTRS.** Berkeley Unified School District did not withhold from employees' payroll checks employee and did not remit to CalSTRS a total of \$3,067 of employee and employer contributions on earnings paid for creditable service performed from July 1998 through August 1999. In addition, the District did not remit to CalSTRS a total of \$240 of employee contributions (and the related employer contributions) previously withheld from payroll checks.

The DB definition excludes summer school and overtime whereas the CBBP definition does not. District personnel believed that summer school earnings, overtime, and special pay such as after-school duties are non-creditable to CBBP and therefore, did not report these earnings to the CBBP.

In addition, the District withheld employee contributions from payroll checks and did not remit these contributions to CalSTRS. The checks were paid from the manual check register because employees submitted late time sheets.

Because the employer and employee contributions of 6.25 percent and 2 percent, respectively, were not remitted to CalSTRS, employee Cash Balance Benefit Program retirement accounts will be understated. Therefore, the employee will eventually receive a smaller retirement allowance than he or she would be entitled to.

**Corrective Action Needed:**

The District must report and remit contributions associated with summer school, overtime, retroactive pay increases and manual checks and must pay the applicable interest to CalSTRS. BUSD should contact its Cash Balance Benefit Program CalSTRS analyst and the Alameda County of Education for guidance in the making the corrections.